

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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| THE APPLICATION OF LOUISVILLE GAS |) | |
| AND ELECTRIC COMPANY FOR AN ORDER |) | |
| AUTHORIZING THE ISSUANCE OF |) | CASE NO. 90-271 |
| SECURITIES AND THE ASSUMPTION OF |) | |
| OBLIGATIONS |) | |

O R D E R

On October 5, 1990, Louisville Gas and Electric Company ("LG&E") filed its application seeking authority to issue and sell First Mortgage Bonds in an aggregate principal amount not to exceed \$180 million with a maturity date not to exceed 30 years. In connection with the issuance of these First Mortgage Bonds, LG&E will assume certain obligations under a loan agreement with Trimble County, Kentucky.

The First Mortgage Bonds will be issued in connection with the issuance by Trimble County, Kentucky of no more than \$180 million in principal amount of a new series of Pollution Control Revenue Bonds ("Trimble County Bonds"), the proceeds of which will be used to provide financing for a portion of the costs of the acquisition, construction, and installation of certain air and water pollution control facilities and solid waste disposal facilities at LG&E's Trimble County generating station. The First Mortgage Bonds would secure the payment of the Trimble County Bonds.

If all or a portion of the Trimble County Bonds are issued initially to bear interest at a variable rate: (1) The Bonds will be subject to tender by the holders for redemption or purchase by LG&E. In order to provide funds to pay the purchase price of such Trimble County Bonds that are tendered for purchase, LG&E will enter into a Remarketing Agreement with a remarketing agent whereby the remarketing agent will use its best efforts to remarket such tendered Trimble County Bonds to the public at a price equal to the purchase price of such Trimble County Bonds. (2) Concurrently with the delivery of the Trimble County Bonds, LG&E may enter into a liquidity facility credit contract with a bank to be selected by LG&E. Such an agreement will be designed to provide LG&E with immediately available funds with which to make payments with respect to the Trimble County Bonds that have been tendered for purchase and not remarketed. LG&E may be required to execute and deliver to the bank a note in connection with the credit agreement.

In order to obtain terms and conditions more favorable to LG&E than those provided in the liquidity facility credit contract or to provide for additional liquidity or credit support to enhance the marketability of the Trimble County Bonds, LG&E desires to be able to replace the liquidity facility with (or to initially use) a substitute liquidity support and/or credit support facility. The instrument providing the liquidity support and/or credit support may be entered into with one or more banks, insurance companies or other financial institutions to be selected

by LG&E from time to time. Such instrument may be in the nature of a letter of credit, revolving credit agreement, standby credit agreement, bond purchase agreement, bond insurance, or other similar arrangement designed to provide liquidity and/or credit support for the Trimble County Bonds.

The Commission, having considered the evidence of record and being advised, finds that the issuance and sale of the above securities by LG&E and the assumption by LG&E of the obligations under the loan agreement with Trimble County, Kentucky and the other agreements and credit facilities described more fully in LG&E's application, are for a lawful object within the corporate purposes of LG&E's utility operations, are necessary and appropriate for and consistent with the proper performance of its service to the public, and will not impair its ability to perform that service, and are reasonably necessary and appropriate for such purpose and should, therefore, be approved.

IT IS THEREFORE ORDERED that:

1. LG&E be and it hereby is authorized, as set out in the application: (i) to issue and deliver the First Mortgage Bonds in an aggregate principal amount not to exceed \$180 million and for not more than 30 years; (ii) to execute, deliver and perform its obligations under the loan agreement with Trimble County; and (iii) if all or a portion of the Trimble County Bonds are initially issued with a variable rate of interest, to execute, deliver and perform its obligations under the Remarketing Agreement, the liquidity facility credit contract, a facility note, or any substitute or related credit agreement.

2. The proceeds from the transactions authorized herein shall be used only for the lawful purposes as set out in the application.

3. LG&E shall, as soon as reasonably possible after the issuance of the securities referred to herein, file with the Commission a statement setting forth the date or dates of issuance of the securities authorized herein, the price paid, the interest rate(s), the purchasers, and all fees and expenses, including underwriting discounts or commissions or other compensation, involved in the issuance and distribution.

4. On a quarterly basis, LG&E shall file any changes in the: (i) terms or interest rates of the bonds issued at variable rates; and (ii) costs, terms, or amounts drawn on any credit agreement.


Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 18th day of October, 1990.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director